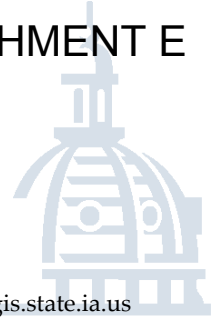


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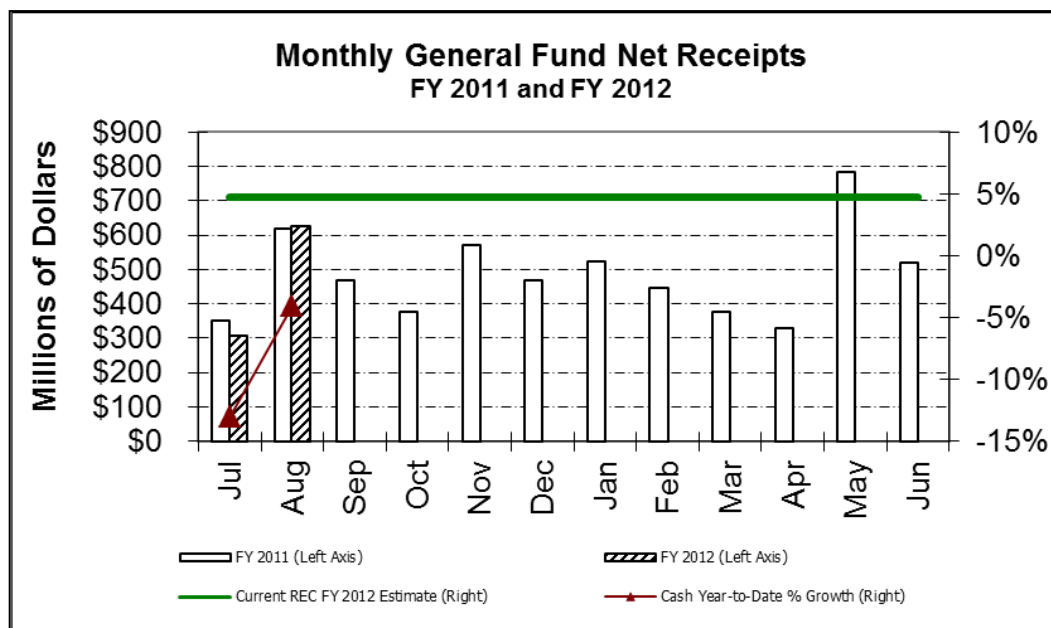
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: September 1, 2011

Monthly General Fund Receipts through August 31, 2011

The attached spreadsheet presents FY 2012 General Fund total net receipts with comparable figures for actual FY 2011. The figures can be compared to the FY 2012 estimate of \$6.122 billion set by the Revenue Estimating Conference (REC) on March 25, 2011. The FY 2012 estimate is an increase of \$274.3 million (4.7%) compared to actual FY 2011 total net receipts (excludes transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

August 2011 net General Fund revenue increased \$6.6 million (1.1%) compared to August 2010 and through the first two months of cash FY 2012, net revenue has decreased \$39.4 million (- 4.1%). Fiscal year 2012 net General Fund revenues will be negatively impacted by a law change that requires the first \$106.0 million of cigarette and tobacco tax revenue to be deposited in the Health Care Trust Fund (HCTF). This change negatively impacted net General Fund receipts by approximately \$37.0 million in July and August. Without this deposit issue and adjusting for a school infrastructure refund timing issue, net General Fund receipts are modestly positive for the fiscal year.

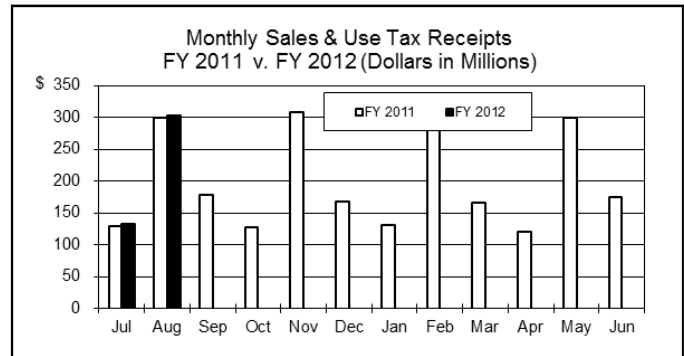
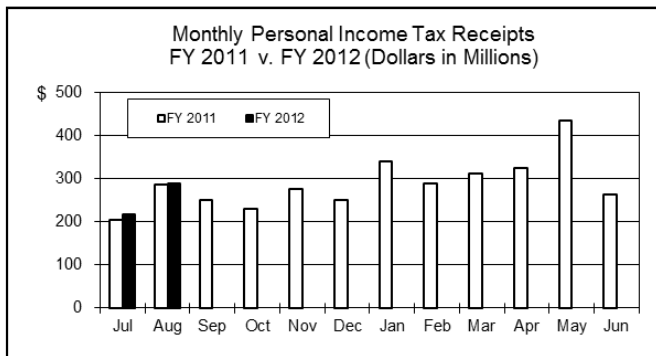
FY 2012 Compared to FY 2011

Year-to-date FY 2012 total net receipts (excluding transfers) decreased \$39.4 million (-4.1%) compared to FY 2011. Major revenue sources and their contribution to the FY 2012 change include:

- Personal income tax (positive \$16.3 million, 3.3%)
- Sales/use tax (positive \$6.8 million, 1.6%)
- Corporate tax (positive \$2.0 million, 5.7%)
- Other taxes (negative \$37.6 million, - 35.3%)
- Other receipts (negative \$2.4 million, - 5.7%)
- Tax refunds not including school infrastructure refunds (negative \$15.4 million)
- School infrastructure sales/use tax refunds (negative \$9.3 million)

Personal Income Tax revenue received in August totaled \$290.2 million, an increase of \$3.2 million (1.1%) compared to August 2010.

The FY 2012 REC income tax estimate of \$3.615 billion represents a projected increase of 4.4% compared to actual FY 2011. Through August, gross income tax receipts increased 3.3%. By subcategory, withholding payments increased by \$9.7 million (2.2%), estimate payments increased \$0.9 million (3.3%), and payments with returns increased by \$5.8 million (42.7%). The following chart compares FY 2012 monthly income tax receipts from the three personal income tax subcategories with FY 2011.



Sales/Use Tax receipts received in August totaled \$302.8 million, an increase of \$3.1 million (1.0%) compared to August 2010.

The REC estimate for FY 2012 sales/use tax receipts is \$2.470 billion, an increase of 3.7% compared to actual FY 2011. Through August, sales/use tax receipts increased 1.6%. The preceding chart compares FY 2012 monthly sales/use tax receipts with FY 2011.

Corporate Tax receipts received in August totaled \$13.8 million, an increase of \$3.7 million (36.6%) compared to August 2010.

The REC estimate for FY 2012 corporate tax revenue is \$432.1 million, an increase of 9.5% compared to actual FY 2011. Through August, corporate income tax receipts increased 5.7%.

Other tax receipts received in August totaled \$54.7 million, a decrease of \$21.6 million (- 28.3%) compared to August 2010. Other tax receipts will be negatively impacted in FY 2012 due to the cigarette/tobacco tax accounting issue noted previously.

The REC estimate (not including an adjustment for the cigarette and tobacco tax law change) for FY 2012 other tax revenue is \$456.2 million, an increase of 3.1% compared to actual FY 2011. Through August, other tax receipts have decreased 35.3%.

Other receipts (non-tax receipts) received in August totaled \$22.2 million, an increase of \$7.4 million (50.0%) compared to August 2010. The timing of liquor profit and miscellaneous receipt deposits was responsible for the increase and reversed a large decrease experienced in July.

The REC estimate for FY 2012 other receipts revenue is \$373.9 million, an increase of 10.5% compared to actual FY 2011. Through August, other receipts decreased 5.7%.

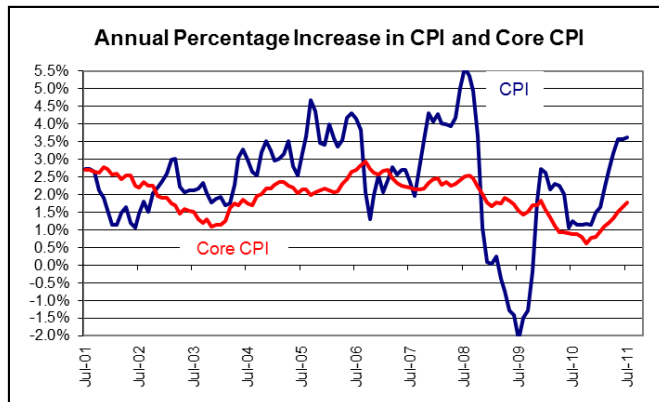
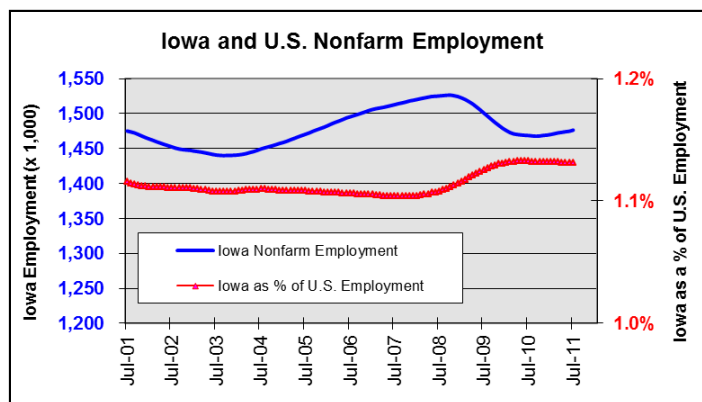
Tax Refunds issued in August totaled \$25.3 million, a decrease of \$13.6 million (- 35.0%) compared to August 2010. The August decrease was due to a corporate tax refund that was issued in July this year, as opposed to August last year. In addition, school infrastructure refunds totaled \$32.8 million in August, an increase of \$2.8 million compared to August 2010.

Status of the Economy

Iowa non-farm employment was reported at 1,475,900 for the month of July (not seasonally adjusted), 19,000 higher (1.3%) than July 2010.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,476,400, resulting in an annual average Iowa nonfarm employment level 50,000 below the October 2008 peak and 2,300 below the January 2001 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined slightly.



The Consumer Price Index (CPI-U) through July 2011 was 225.9 (1983/84=100). Consumer prices increased 0.1% in July (not seasonally adjusted) and the annual rate of inflation stands at 3.6%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in July and totals 1.8% year-over-year. Since the start of the last recession, the annual core inflation rate has been low and has remained below 2.0% since December 2008, but has increased each of the last ten months. For the two components excluded from the core rate, energy prices are up 19.0% year-over-year while food prices are up 4.0%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2011 vs. FY 2012 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 11 Actual Compared to FY 12 REC Estimate		
	FY 2011	FY 2012	Year to Date % Change	August % Change	Actual FY 2011	Estimate FY 2012	Projected % Change
Personal Income Tax	\$ 490.8	\$ 507.1	3.3%	1.1%	\$ 3,461.7	\$ 3,615.0	4.4%
Sales/Use Tax	429.0	435.8	1.6%	1.0%	2,381.4	2,470.0	3.7%
Corporate Income Tax	34.8	36.8	5.7%	36.6%	394.5	432.1	9.5%
Inheritance Tax	12.9	12.1	-6.2%	11.1%	66.4	72.1	8.6%
Insurance Premium Tax	49.2	46.6	-5.3%	-4.4%	97.1	100.3	3.3%
Cigarette Tax***	34.7	0.1	-99.7%	-99.5%	200.1	200.4	0.1%
Tobacco Tax***	5.1	2.5	-51.0%	-100.0%	27.2	28.0	2.9%
Beer Tax	2.9	2.8	-3.4%	0.0%	14.3	14.4	0.7%
Franchise Tax	1.6	4.7	193.8%	500.0%	36.3	40.0	10.2%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.0	1.0	0.0%
 Total Gross Taxes	 \$ 1,060.9	 \$ 1,048.5	 -1.2%	 -1.7%	 \$ 6,680.1	 \$ 6,973.3	 4.4%
 Institutional Payments	 2.3	 3.4	 47.8%	 13.3%	 10.0	 14.9	 49.0%
Liquor Profits	14.8	16.1	8.8%	88.9%	89.3	85.4	-4.4%
Interest	0.3	0.3	0.0%	0.0%	3.0	2.0	-33.3%
Fees	5.9	4.7	-20.3%	-19.4%	30.1	66.8	121.9%
Judicial Revenue	11.6	10.8	-6.9%	18.2%	101.5	112.0	10.3%
Miscellaneous Receipts	7.4	4.6	-37.8%	100.0%	38.4	26.8	-30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	66.0	66.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 1,103.2	 \$ 1,088.5	 -1.3%	 -0.6%	 \$ 7,018.5	 \$ 7,347.2	 4.7%
Accrued Revenue-Net*					13.9	17.0	
Tax Refunds **	-56.8	-72.2	27.1%	-35.0%	-811.1	-831.0	2.5%
School Infrast. Refunds **	-75.5	-84.8	12.3%	9.3%	-374.0	-411.6	10.1%
 TOTAL NET RECEIPTS	 \$ 970.9	 \$ 931.5	 -4.1%	 1.1%	 \$ 5,847.3	 \$ 6,121.6	 4.7%
<p>* The FY 2011 "Accrued Revenue-Net" is currently estimated.</p> <p>** For FY 2011 and FY 2012 Year-to-Date columns, refunds are presented on a cash basis. For FY 2011 Actual and FY 2012 Estimate, refunds are presented on a fiscal year basis.</p> <p>*** Beginning in FY 2012, the first \$106.0 million in cigarette and tobacco tax revenue will be deposited in the Health Care Trust Fund (HCTF) instead of the General Fund. The REC estimate has not been modified to reflect that adjustment or any other law changes that were enacted since the last REC.</p>							